



## Fact Sheet

U.S. Department of Agriculture  
Foreign Agricultural Service  
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### *Permanent Normal Trade Relations with China* **What's at Stake for Arizona?**

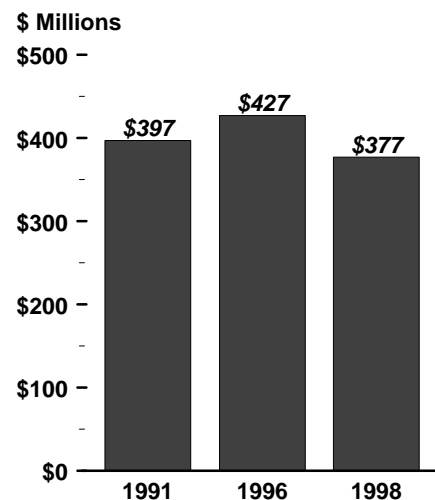
Arizona produces agricultural and some wood products that are exported worldwide. In 1998, the state's cash receipts from farming totaled \$2.4 billion, and wood product shipments were \$708 million in 1996. As for exports, the value of agricultural products leaving the state was estimated at \$380 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

#### **Trade Benefits**

The following key products are important to Arizona, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- # **Cotton**--As the eighth largest cotton-growing state, Arizona's cotton exports worldwide were estimated at \$123 million in 1998. China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1-percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In 1998, China imported less than 200,000 metric tons of cotton from all countries. China's commitment to end export subsidies will reduce its price competitiveness in other markets.
- # **Vegetables**--Arizona is the second largest grower of lettuce, broccoli, and cauliflower, with vegetable exports worldwide estimated at \$68 million in 1998. Under its WTO accession agreement, China's tariffs on vegetables will drop up to 60 percent, depending on the product, by 2004. For example, existing tariffs of 16 percent on lettuce and 13 percent on broccoli, celery, and mixed vegetables will fall to 10 percent. Tariffs on canned tomato paste will fall from 25 percent to 20 percent. Deeper cuts are planned for tomato ketchup. Tariffs on these products, now set at 25 percent and 30 percent, will fall to 10 percent and 15 percent, respectively.
- # **Beef**--Arizona has a large number of cattle on feed, and its live animal and red meat exports worldwide were estimated at \$46 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly

#### **Arizona's Agricultural Exports**



Source: Economic Research Service, USDA

increased demand for imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef and from 45 percent to 25 percent on chilled beef by 2004. Tariffs on variety meats will be lowered from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef from the United States that is accompanied by a USDA certificate of wholesomeness.

- # **Fruit**—Arizona is among the top five citrus-growing states and is a major grape producer. Fresh and processed fruit exports worldwide in 1998 were estimated at \$34 million. Under its WTO accession agreement, China will reduce tariffs by 70 percent on fresh citrus fruit by 2004 as tariffs of 40 percent on oranges, grapefruit, and lemons will drop to 12 percent. In addition, as a result of the 1999 U.S.-China bilateral agreement, China committed to lifting its import ban on citrus from this state. Tariff reductions of up to 57 percent are scheduled for key citrus and other fruit juices. For fresh and processed deciduous fruit, tariff reductions of up to 75 percent are scheduled. Tariffs on pears, fresh and canned peaches, and jams and jellies will fall from 30 percent to 10 percent.